



## H.R. 5140 – The Economic Stimulus Package

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### FLOOR SITUATION

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The Economic Stimulus Package is being considered on the House floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Nancy Pelosi (D-CA) on January 28, 2008. The bill was referred to the House Committee on Ways and Means and the House Committee on Financial Services, but was never considered.

H.R. 5140 is expected to be considered on the House floor on January 29, 2008.

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### SUMMARY

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**Rebate:** The bill provides a rebate for filers who qualify in one of two categories: the greater of a) filers paying income taxes in 2007 (with a maximum refund of \$600 for individuals and \$1,200 for joint filers); or b) for filers who earned at least \$3,000 or paid at least \$1 in federal income tax in 2007 (\$300 flat amount for individuals and \$600 for joint-filers).

Rebates are phased out at a rate of \$50 per \$1,000 of Adjusted Gross Income (AGI) starting at \$75,000 (AGI) for individuals and \$150,000 (AGI) for joint-filers.

**Children's Bonus:** All those who qualify for a rebate will receive an additional \$300 for each qualifying child. There is no limit to the number of child bonuses a family can receive.

**Section 179 Expensing:** The bill increases to \$250,000 (from \$125,000) the total amount of new and used property, for up to \$800,000 of property place in service, that qualified businesses can expense under section 179 of the tax code. Most of the businesses that qualify under Section 179 are small businesses.

**Bonus Depreciation:** The bill includes a bonus depreciation tax cut for businesses, allowing them to write off 50% of investment spending on new equipment.

**Housing GSE and FHA Loan Limits:** The bill increases loan limits for the Federal Housing Administration, allowing the FHA to insure loans of up to 125 percent of the median price in the area, with a maximum of \$729,750. The current loan limit is \$362,000. The bill also increases loan limits for Government Sponsored Entities (i.e. Fannie Mae, Freddie Mac) from \$417,000 to 125 percent of the median price in the area, with a limit of \$729,000. Both increases would expire at the end of 2008.

*\*Note: A similar increase to FHA loan limits was included in H.R. 1852, which passed the House on September 18, 2007 by a vote of 348 to 72. While GSE loan limit increases were included in H.R. 1427, which passed the House on May 22, 2008, by a vote of 313 to 104, the bill also incorporated many reforms to GSE oversight and a new regulator, which the stimulus does not include.*

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### BACKGROUND

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On January 18, 2008, [President Bush outlined the Administration's general principles](#) for an economic growth package. The package would provide approximately \$145 billion, or one percent of GDP, to boost the economy. The President listed the following general principles for the Administration's plan:

- Should be big enough to make a difference in an economy as large and dynamic as ours;
- Should be built on broad-based tax relief that will directly affect economic growth, not Federal spending that would have little immediate impact on our economy;



# LEGISLATIVE DIGEST

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- Should be temporary and take effect right away so we can get help to our economy when it is needed most; and
- Should not include any tax increases.

In 2001, tax refunds of \$300 for singles and \$600 for couples were included as part of the Economic Growth Tax and Relief Reconciliation Act of 2001 (P.L. 107-16), also known as the 2001 Republican Tax Cuts. Congress later enacted the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147) in March of 2002 in an effort to provide the economy a short-term stimulus in the aftermath of the September 11 attacks. A list of the provisions in the 2001 tax cuts, the 2002 economic stimulus package, and the 2003 tax cuts are listed below.

## **Economic Growth Tax and Relief Reconciliation Act of 2001 (2001 REPUBLICAN TAX CUTS)** [CBO Estimate, 5/26/2001](#)

- Reduces income tax rates for all taxpayers;
- Marriage penalty relief for most middle class taxpayers;
- Eliminates the death tax by the year 2010;
- Pension reforms that increase tax-free IRA and 401 (k) contributions;
- Tax refunds (\$300 for singles, \$500 for single parents, \$600 for couples);
- Doubles the child credit from \$500 to \$1000;
- Increases the adoption tax credit;
- Tax breaks for education expenses; and
- Increased the AMT exemption amount by \$2,000 (\$4,000 for married couples) for 2001 through 2004 (beginning of the AMT patch).

## **JOB CREATION AND WORKER ASSISTANCE ACT OF 2002 (P.L. 107-147)** [CBO Estimate, 3/9/2002](#)

- "Bonus depreciation" tax cut for businesses, allowing them to write off 30% of qualified investment spending. The bonus was increased to 50% in 2003 and expired at the end of 2004;
- Temporarily extended unemployment benefits for up to 13 weeks;
- Accelerates transfers from the federal unemployment accounts to the state accounts in the unemployment trust fund;
- Provides tax incentives for New York City and distressed areas as a result of the 9/11 attacks;
- Expands the income exclusion for qualified foster care payments;
- Provides an income tax deduction of up to \$250 annually for expenses incurred by eligible educators;
- Extends aspects of the Temporary Assistance for Needy Families (TANF) program, some of which was anticipated by the Congressional Budget Office to increase food stamp benefits;
- Extends for five years the provision allowing an exemption from taxable income for certain financing income earned abroad;
- Allows an individual to offset all regular tax liability and alternative minimum tax liability by personal nonrefundable credits (dependent care credit, HOPE scholarship, lifetime learning credit, etc) in 2002 and 2003;
- Extends the work opportunity tax credit and the welfare-to-work tax credit; and
- Extends other tax provisions, including credits and deductions for energy-related production and purchases.

## **The Jobs and Growth Tax Relief Reconciliation Act of 2003 (2003 REPUBLICAN TAX CUTS)** [CBO Estimate, 5/23/2003](#)

- Accelerate the 2001 Republican tax cuts on individual income;



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- Increase the child tax credit. For 2003, the increased amount (i.e., \$400 per child) was paid in advance with checks;
- Temporary expansion of the tax relief for married couples;
- Increase of alternative minimum tax exemption amount by \$4,500 for singles and \$9,000 for joint-filers for 2003 and 2004;
- Temporary increase in small business expensing from \$25,000 to \$100,000 for 2003-2005;
- Temporary increase "bonus depreciation" for businesses to 50 percent; and
- Reduction of dividends and capital gains taxes for both higher and lower tax brackets. The dividend provision applies to both domestic and foreign corporations.

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## COST

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There was no Congressional Budget Office cost estimate available at the time of this publication.

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## STAFF CONTACT

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